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A low-angle, upward-looking photograph of several modern skyscrapers with glass facades against a clear blue sky. A red flag is flying from a tall pole in the center of the frame, positioned between two of the buildings. The bottom portion of the image is overlaid with a semi-transparent red gradient.

FinReg Update

Guernsey

1 July 2024 – 30 September 2024

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Quick Fire Updates

1. International tax (Pillar 2) - update

We previously reported that Guernsey, Jersey and the Isle of Man had announced a joint approach to implementation of the Organisation for Economic Co-operation and Development's (OECD) Pillar 2 Global Tax Framework (**Pillar 2**).

On **4 September 2024**, the States of Guernsey (the **States**) approved a policy letter, *OECD Pillar 2 GloBE Rules*¹ (the **GloBE Rules**) ([here](#)), for their introduction, thus ensuring Guernsey adheres to Pillar 2 principles, including:

- applying the GloBE Rules and a domestic minimum tax on multinational enterprises (**MNEs**) with global revenues above €750 million
- maintaining Guernsey's domestic tax regime
- minimising the compliance burden for in-scope MNEs
- complying with international standards, and
- aligning overall corporate tax policy with Jersey and the Isle of Man.

The States Policy and Resources Committee (the **P&R Committee**) will now prepare regulations under the Income Tax (Guernsey) Law, 1975 to implement the GloBE Rules and associated commentary and guidance, including the introduction of an income inclusion rule and domestic minimum top-up-tax for large in-scope MNEs, from **1 January 2025**.

The P&R Committee will engage with affected stakeholders and industry bodies to inform the design where alternative approaches are permitted (eg accounting standards and currency for payment of the Qualified Domestic Minimum Top-up Tax) and to formulate the relevant administrative provisions.

2. Protected cell companies – consultation

The Guernsey Financial Services Commission (the **Commission**) has issued a consultation paper ([here](#)) proposing to add pension service providers (**PSPs**) to the categories of companies permitted to be formed as a protected cell company (**PCC**).

The proposal seeks to allow a licensed PSP to use the features of a PCC to ring-fence pension scheme assets. The approach will facilitate an efficient mechanism for pension products to be developed, whilst ensuring that pension assets are protected and pensions activity continues to operate under the umbrella of the Commission's supervision.

The consultation closes on **11 November 2024**.

3. Regulated Investment Exchange Operator Rules - consultation

The Commission has published a consultation paper ([here](#)) on replacing the existing framework of rules applying to licensed operators of investment exchanges which dates back to 1998 with

a new set of rules, the Regulated Investment Exchange Operator Rules and Guidance, 2024 (the **RIEO Rules**) ([here](#)).

The RIEO Rules will provide a single consolidated set of rules for investment exchange operators by incorporating relevant elements of all applicable rules made under the Protection of Investors (Bailiwick of Guernsey) Law, 2020. These proposals will impact The International Stock Exchange Authority Limited and, potentially, its listing sponsors.

The consultation closes on **12 November 2024**.

4. Commission fees for 2025 - consultation

The Commission has published ([here](#)) its proposals for the fee rates and administrative penalties effective from **1 January 2025**.

The Commission's proposals include:

- an overall increase in fees of 5.3 per cent (in line with Guernsey's current inflation)
- an increase in the fees for general retail insurers (to recognise the additional supervisory effort required to mitigate the risks, including reputational, they pose to the Bailiwick of Guernsey (the **Bailiwick**), and
- the creation of a specific authorisation fee for entities looking to apply to operate an investment exchange.

The consultation closes on **4 October 2024**.

5. Sustainable finance – discussion paper

The Commission has issued a discussion paper on the future of sustainability reporting in the Bailiwick (the **Paper**) ([here](#)). The Paper seeks the finance sector's views on how the International Sustainability Standards Board's four key objectives ([here](#)) can be achieved in the Bailiwick.

The Commission anticipates that the responses will assist it, together with the finance industry, in developing appropriate and proportionate sustainability reporting requirements to meet the challenges presented by sustainability, including delivering against the States' climate change policy (the **Policy**) ([here](#)).

The Policy includes a sustainable finance objective, '*to leverage its finance sector's expertise to facilitate the provision of liquidity and capital to sustainable finance given Guernsey's net zero targets*' and sets out a multi-faceted approach.

Responses to the Paper must be submitted by **25 October 2024**.

Mourant is proud to be the headline sponsor of the inaugural Sustainable Business Conference Channel Islands taking place in Guernsey on **15 October 2024**. Further details can be found [here](#).

6. Commission – other news

Refresher sessions entitled '*Approach to Risk-based Supervision*' are being run by the Commission on **8 October 2024**. The

¹ OECD - The Pillar Two Rules in a nutshell

sessions will cover how the Commission approaches risk-based supervision and engages with firms, from on-site and thematic visits to returns and notification reviews. Further details, including links to register for the sessions, are available [here](#).

The Commission has published its annual report for 2023 (the **Report**) ([here](#)). The Report discusses the Commission's preparations for the Bailiwick's MONEYVAL evaluation and the onsite inspection in April 2024 and the preparation of the Bailiwick's second national risk assessment and its first proliferation financing national risk assessment.

Following its thematic review of *Governance, Risk, and Compliance Controls to Counter Financial Crime - Estate Agency, Legal and Accountancy Services* ([here](#)), the Commission delivered separate presentations on its findings for estate agents, legal services and accountancy services. The slides from each presentation are available [here](#).

7. Publication of official notices – new procedure

The Publication of Official Notices (Guernsey) Law, 2024 (the **Official Notices Law**) ([here](#)) will come into force on **1 November 2024**. The Official Notices Law provides for official notices, documents or information that are currently required by law to be published in La Gazette Officielle to use an alternative route for publication based on the notice's target audience. It also includes a requirement for the free provision of printed copies of notices, where requested.

8. Enforcement decisions

In July 2024, the Commission published notice of the making of prohibition orders and financial penalties against a licensee and three individuals for having failed to ensure compliance with regulatory requirements and the Minimum Criteria for Licensing. The public statement is available [here](#).

The Commission also published a public statement and issued a financial penalty against a licensee which had failed to perform ongoing and effective monitoring of its business relationships, including failure to scrutinise transactions and/or other activity to ensure the transactions are consistent with the firm's knowledge of the customer, as required under the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999. Further details are available [here](#).

9. AML/CFT Handbook - update

The Commission has updated the Handbook on Countering Financial Crime ([here](#)) to reflect the Financial Action Task Force's updated list of jurisdictions under increased monitoring and amendments by the UK's HM Treasury to financial sanctions.

10. Competition - consultation

The States Committee for Economic Development has published a public consultation on Guernsey's competition and regulatory frameworks ([here](#)). The consultation aims to understand consumers' views on competition and regulation in

a range of sectors including telecoms, water, electricity, gas and oil, postal services, residential construction and off-island travel.

The consultation follows on from an earlier consultation with key stakeholders, including the Guernsey Competition & Regulatory Authority (the **GCRA**), regulated entities, business and consumer bodies and States' members. The themes identified from the key stakeholder consultation included:

- the competition and regulatory framework should be proportionate to Guernsey's size
- the GRCA should be able to take account of the States' policy objectives and conduct regulatory impact assessments
- permitting the GRCA to use alternative regulatory approaches, eg issuing guidance or using mediation to resolve disputes, and
- need for clarification of GCRA's scope and accountability.

Further details can be found [here](#).

11. GCRA – annual report

The GCRA has published its annual report for 2023 ([here](#)). The annual report details its work during 2023, including the signing of a Memorandum of Understanding with the Trading Standards Service, following the introduction of the Trading Standards (Fair Trading) (Guernsey) Ordinance, 2023, to allow better co-operation between the two agencies. It also reported clearing five merger applications in 2023.

12. Financial Ombudsman - news

The Channel Islands Financial Ombudsman received 139 complaints in the second quarter of 2024, of which 101 fell within its remit. Current accounts, home emergency insurance, health insurance, other investments and business accounts were the product areas most complained about, and complaints principally related to poor administration or delay, the non-payment of claims, and fees and charges. Fraud cases also feature heavily in complaints to the Ombudsman. Further details are found [here](#).

13. Data Protection - news

The Office of the Data Protection Authority's (the **ODPA**) statistics for the second quarter of 2024 reveal that 39 personal data breaches were reported. Further details are available [here](#).

Following Microsoft 365 world-wide systems being compromised by phishing attacks, the ODPA issued additional advice for organisations on how to protect themselves from such external threats. That advice can be found [here](#).

14. MO FinReg Forum

If you would like to participate in our quarterly FinReg Forum, which provides updates on similar matters for each of Guernsey, Jersey (where the forum is hosted) and from time to time the Isle of Man (provided by Cains), please do get in touch.

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